

Message Text

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21

ACTION EB-07

INFO OCT-01 AF-06 ISO-00 OPR-02 XMB-04 OPIC-06 FEA-01

AGR-10 CEA-01 CIAE-00 COME-00 DODE-00 FRB-01 H-02

INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05

CIEP-02 SS-15 STR-04 TAR-01 TRSE-00 USIA-15 PRS-01

SP-02 OMB-01 /113 W

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R 120650Z AUG 75

FM AMEMBASSY BUJUMBURA

TO SECSTATE WASHDC 4962

UNCLAS BUJUMBURA 0578

E.O. 11652: N/A

TAGS: EFIN, EINV

SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF STATE 165596

1. BURUNDI'S EXTREME POVERTY (ESTIMATED ANNUAL GNP PER CAPITA IS \$60-\$70) AND CONSEQUENT HIGHLY LIMITED DOMESTIC MARKET COMBINE TO DISCOURAGE NEW FOREIGN INVESTMENT IN THE COUNTRY. MOREOVER, ITS LANDLOCKED POSITION, WITH RESULTING DIFFICULTIES OF TRANSPORT, ITS LACK OF RAW MATERIALS AND DEVELOPED ENERGY SOURCES, ITS ALMOST ENTIRELY UNSKILLED AND UNEDUCATED LABOR FORCE MAKE IT UNINTERESTING, DESPITE LOW WAGES, AS A LOW COST MANUFACTURING CENTER. THESE CIRCUMSTANCES HAVE IN THE PAST, THEREFORE, FRUSTRATED THE INCENTIVES OFFERED IN REGARD TO CUSTOMS LEVIES, TAXES, AND EARNINGS REPATRIATION BY THE VERY LIBERAL INVESTMENT CODE (1967) AND BY AN INVESTMENT GUARANTEE AGREEMENT BETWEEN THE UNITED STATES AND BURUNDI (1969). EVEN THE GENERALLY FAVORABLE ATTITUDE OF BOTH THE GOVERNMENT AND LOCAL BUSINESS CIRCLES TOWARD LOCAL AND FOREIGN FREE ENTERPRISE, MODIFIED ONLY BY RECENT GOVERNMENT MOVES TO CUT ITSELF INTO A MORE SUBSTANTIAL EQUITY SHARE OF THE LARGER COMPANIES AND PROJECTS

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IN BURUNDI, HAS BEEN UNABLE TO OVERCOME THE PHYSICAL ECONOMIC,

AND SOCIAL HANDICAPS ALREADY ENUMERATED.

2. THIS GENERAL SITUATION MAY WELL BE ON THE VERGE OF CHANGE BY VIRTUE OF THE RECENT DISCOVERY OF VERY EXTENSIVE MINERAL DEPOSITS IN THE NATION. THE MOST IMMEDIATE PROSPECT CONCERNS NICKEL MINING AND REFINING, AND A CONSORTIUM OF POTENTIAL FOREIGN INVESTORS (SOME OF WHOM ARE AMERICAN) IS BEING GIVEN EVERY ENCOURAGEMENT BY THE BURUNDI GOVERNMENT TO COME TO A POSITIVE INVESTMENT DECISION, WITHIN THE FRAMEWORK OF THE APPLICABLE CODE AND OF AN ACCEPTABLE RATIO OF OWNERSHIP PARTICIPATION BY THE BURUNDI GOVERNMENT.

3. APART FROM THIS FIELD, BURUNDI HAS SOUGHT FOREIGN INVESTMENT MAINLY IN AGRICULTURAL SECTORS HAVING EXPORT POTENTIAL. PARTLY BECAUSE OF PAST POLITICAL DISORDERS (NOW APPARENTLY OVERCOME), BUT MOSTLY BECAUSE OF THE POOR OUTLOOK FOR PROFITABILITY, CAPITAL INFLOW HAS BEEN NEGLIGIBLE, EXCEPT IN CONNECTION WITH STILL OPERATING, AND QUITE SMALL SCALE, PRE-INDEPENDENCE AGRICULTURAL AND COMMERCIAL ENTERPRISES. HOWEVER, THE POSSIBILITY OF STARTING A MODEST SUGAR GROWING AND REFINING INDUSTRY, LARGELY TO BE FINANCED BY EXTERNAL PRIVATE CAPITAL, HAS LATELY COME UNDER ACTIVE CONSIDERATION. OTHERWISE, NEW FOREIGN CAPITAL FOR BURUNDI HAS COME ALMOST EXCLUSIVELY FROM FOREIGN PUBLIC ASSISTANCE SOURCES, WHICH HAVE SOUGHT TO DEVELOP OR ENLARGE TEA, COFFEE, FISH, RICE, AND COTTON PRODUCTION AND PROCESSING. LAWS GIVING MONOPOLIES TO BURUNDI-OWNED AND OPERATED FIRMS FOR THE IMPORTATION OF A SMALL NUMBER OF BASIC COMMODITIES ARE NOT RELEVANT TO FIELDS IN WHICH PRIVATE FOREIGN INVESTMENT MIGHT SOMEDAY DEVELOP AN INTEREST. (END OF NARRATIVE)

4. THERE IS NO CHANGE IN INVESTMENT STATISTICS FROM DATA SUBMITTED AS ENCLOSURE TWO TO BUJUMBURA AIRGRAM 36, APRIL 17, 1974.
MARK

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Margaret P. Grafeld
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